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ACTION EAP-00

INFO	LOG-00	AGRE-00	AID-00	CEA-01	CIAE-00	CTME-00	INL-00
	DODE-00	ITCE-00	DOTE-00	SRPP-00	EB-00	EXME-00	E-00
	FAAE-00	FBIE-00	UTED-00	VC-00	FRB-00	H-01	TEDE-00
	INR-00	ITC-01	LAB-01	L-00	VCE-00	MOFM-05	MOF-03
	AC-01	NEA-00	NSAE-00	NSCE-00	OES-01	OMB-01	OPIC-01
	PC-01	ACE-00	SP-00	STR-00	TEST-00	TRSE-00	USIE-00
	SA-00	DRL-02	G-00	NFAT-00	SAS-00	/019W	

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FM AMCONSUL HO CHI MINH CITY
TO SECSTATE WASHDC PRIORITY 5675
INFO AMEMBASSY HANOI
AMEMBASSY ISLAMABAD
AMEMBASSY DHAKA
ASEAN COLLECTIVE
USDOC WASHDC

UNCLAS HO CHI MINH CITY 001255

SIPDIS

STATE PASS TO USTR FOR EBRYAN
USDOC FOR 3132/OIO/EAP/KELLEHER
USDOC FOR 1431/MAC/AP/HPPHO

E.O. 12958: N/A

TAGS: [ECON](#) [ETRD](#) [KTEX](#) [VM](#) [BTA](#)

SUBJECT: TEXTILE ORDERS FOR VIETNAM: LOOKING TO THE BTA FOR INCREASED OPPORTUNITIES, NOT THE WORLD SECURITY SITUATION
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11. SUMMARY: VIETNAM'S TEXTILE INDUSTRY ANTICIPATES A BOOST IN ORDERS FROM OVERSEAS BUYERS RELUCTANT TO DO BUSINESS IN COUNTRIES SUCH AS PAKISTAN AND INDONESIA, IN LIGHT OF THE CURRENT SECURITY SITUATION. THIS IS ACCORDING TO BUSINESS PEOPLE IN HO CHI MINH CITY, THE CENTER OF VIETNAM'S TEXTILE INDUSTRY. ALTHOUGH NO JUMP IN ORDERS HAS YET OCCURRED, INDUSTRY EXPERTS STATE THAT IF SECURITY CONCERNS REMAIN HEIGHTENED FOR SEVERAL MONTHS, BUYERS COULD SWITCH THEIR ORDERS TO VIETNAM (AND OTHER COUNTRIES PERCEIVED AS STABLE AND SAFE). MOST AGREE, HOWEVER, THAT THE BILATERAL TRADE AGREEMENT (BTA) AND THE WORLD ECONOMIC SLOWDOWN, WHICH STARTED WELL IN ADVANCE OF SEPTEMBER 11, WILL HAVE A MUCH STRONGER EFFECT ON THE FUTURE OF THE TEXTILE INDUSTRY HERE. END SUMMARY.

THE SHIFT TO VIETNAM MAY BE COMING - OR NOT

12. ALTHOUGH BUSINESS IS SLUMPING IN RESPONSE TO THE ECONOMIC SLOWDOWN, A NUMBER OF BUSINESS PEOPLE IN VIETNAM'S TEXTILE INDUSTRY INDICATE THAT THEY ALREADY SEE ADDED INTEREST IN VIETNAM AS AN ALTERNATIVE SOURCE OF PRODUCTION FOR TEXTILES AND GARMENTS IN LIEU OF INDONESIA, PAKISTAN, OR OTHER MOSLEM COUNTRIES. ONE FACTORY OWNER HERE NOTED HE HAD BEEN CONTACTED BY A BUYER WHO WANTED TO DIVERSIFY PRODUCTION AWAY FROM THE MIDDLE EAST, FEARING A LABEL FROM THAT REGION WOULD HURT U.S. SALES. OTHERS HAVE TOLD US THEY HAVE RECEIVED INITIAL INQUIRIES, BUT NO SIGNIFICANT NEW BUSINESS YET.

13. THE INDUSTRY REPS AND EXPERTS WE TALKED TO AGREE THAT IT IS TOO EARLY FOR A MAJOR SHIFT IN ORDER PATTERNS. MORE
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NOTICEABLE IS THE OVERALL DROP IN BUSINESS IN THE LAST FEW MONTHS. MANY BLAME THIS DROP - WHICH BEGAN A DOWNHILL SLIDE WELL IN ADVANCE OF SEPTEMBER 11 -- ON WORLDWIDE ECONOMIC CONDITIONS. AUTUMN SHOULD BE OUR PEAK PRODUCTION SEASON, ONE GARMENT MAKER STATED, BUT FEW PLANTS ARE WORKING AT FULL CAPACITY.

14. ALL STATED, HOWEVER, THAT A SUSTAINED ARMED CONFLICT IN AFGHANISTAN (OR ELSEWHERE, FOR THAT MATTER) WILL CAUSE BUYERS TO SHIFT THEIR GARMENT ORDERS FROM COUNTRIES WHERE THEY FEAR TO TRAVEL OR WHERE THEY BELIEVE THERE IS NO GUARANTEE ORDERS WILL BE FILLED, BECAUSE OF INSTABILITY. FOR EXAMPLE, LE QUOC AN, THE CHAIRMAN OF VINATEX, A STATE OWNED TEXTILE CONGLOMERATE, STATED AT A LOCAL SEMINAR ON THE TEXTILE INDUSTRY THAT VIETNAM COULD AND SHOULD SELL ITS STABILITY AND SECURITY.

15. OF COURSE THE BIGGER IMPACT ON VIETNAM IS THE RATIFICATION OF THE BTA, WHICH ALLOWS TEXTILE AND GARMENT MAKERS TO EXPORT TO THE U.S. WITH LOWER TARIFFS AND --UNTIL A TEXTILE AGREEMENT IS IN FORCE -- WITHOUT QUOTAS. VIETNAM CURRENTLY HAS LESS THAN ONE PERCENT OF U.S. TEXTILE AND GARMENT IMPORT MARKET, AND LOCAL FIRMS HAVE BEEN GEARING UP TO CAPITALIZE ON THIS NEW OPPORTUNITY. STATE-OWNED VINATEX, A CONGLOMERATE OF GARMENT FACTORIES WHICH CONTROLS ABOUT 28% OF VIETNAM'S CURRENT TEXTILE EXPORTS, HAS ALREADY OPENED OFFICES IN NEW YORK AND HONG KONG TO INTRODUCE ITSELF TO THE U.S. MARKET.

16. ONE BUSINESSMAN NOTED THAT A SHIFT AWAY FROM INDONESIA
OR PAKISTAN DOES NOT AUTOMATICALLY MEAN VIETNAM WILL GET THE
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BUSINESS. THERE ARE OTHER MORE ESTABLISHED PRODUCERS WHO
ARE WELL-POSITIONED TO MAKE GAINS. THIS BUSINESSMAN CLAIMED
ONE CITY IN CHINA'S GUANGDONG PROVINCE EXPORTS MORE TEXTILES
THAN ALL OF VIETNAM. IT MAY BE EASIER FOR BUYERS TO SHIFT
THEIR ORDERS TO FACTORIES WHERE THEY ALREADY HAVE
ESTABLISHED RELATIONSHIPS ON THE GROUND. ALL THEY WOULD
HAVE TO DO IS INCREASE CAPACITY.

17. COMMENT: VIETNAM'S TEXTILE COMPANIES ARE SALIVATING AT
THE OPPORTUNITY OF UNFETTERED ACCESS TO THE U.S. MARKET NOW
THAT THE BTA IS ABOUT TO GO INTO EFFECT. SOME HAVE ALREADY
BEEN EXPORTING TO THE U.S. AND OTHERS ARE GEARING UP FOR THE
NEW POSSIBILITIES. IF THEY CAN SELL VIETNAM AS A STABLE,
SECURE PLACE TO DO BUSINESS, IT SHOULD HELP THEM GET INTO
THE MARKET. THEIR STAYING POWER, HOWEVER, WILL BE
DETERMINED BY WHETHER THEY CAN OFFER COMPETITIVE PRICING AND
QUALITY - AN OPEN QUESTION.

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